

**North Louisiana Area Health  
Education Center Foundation  
Monroe, Louisiana**

**Annual Financial Report  
As of and for the Year Ended September 30, 2006**

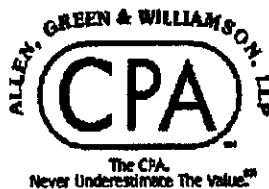
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/18/07

**North Louisiana Area Health  
Education Center Foundation**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
North Louisiana Area Health  
Education Center Foundation  
Monroe, Louisiana

We have audited the accompanying statement of financial position of North Louisiana Area Health Education Center Foundation, a nonprofit organization, (the North LA. AHEC) as of September 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the North LA. AHEC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North LA. AHEC's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects the financial position of the North LA. AHEC, as of September 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2007, on our consideration of the North LA. AHEC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the North LA. AHEC taken as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the North LA. AHEC. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Also, the accompanying other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the North LA. AHEC. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

March 15, 2007

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**STATEMENT OF FINANCIAL POSITION  
September 30, 2006**

**Statement A**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 68,303
Investments	84,512
Cost reimbursement receivable	54,194
Prepaid expenses	<u>827</u>

Total current assets 207,836

**PROPERTY AND EQUIPMENT**

Office equipment	107,346
Furniture	27,810
Vehicle	18,245
Building	<u>65,223</u>

Total property and equipment 218,424

Less: Accumulated depreciation 163,158

Total property and equipment - net of depreciation 55,266

**TOTAL ASSETS \$ 263,102**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 77,790
Accrued salaries	91,008
Accrued payroll taxes	2,655
Compensated absences	<u>28,281</u>

**TOTAL LIABILITIES 199,732**

**NET ASSETS**

Unrestricted net assets 63,370

Total net assets 63,370

**TOTAL LIABILITIES AND NET ASSETS \$ 263,102**

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2006**

Statement B

	<u><b>UNRESTRICTED</b></u>
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>	
Grants - Area Health Education Program	<u>\$ 1,545,849</u>
Other revenue:	
Interest and dividends	0
Donations	420
Other revenue	<u>4,643</u>
Total other revenue	5,063
Increase in fair market value of investments	<u>3,534</u>
Total revenues, gains and other support	<u>1,554,446</u>
<b>EXPENSES AND LOSSES:</b>	
Direct program expenses	<u>1,068,759</u>
Supporting Services Expense	
Salaries	285,181
Payroll taxes and benefits	100,842
Supplies and postage	21,964
Telephone	6,592
Occupancy expense	7,861
Travel	18,967
Other operating expenses	14,750
Depreciation	14,638
Marketing and membership	4,485
Supplies	6,900
Legal and accounting	<u>9,387</u>
Total supporting services expense	<u>491,567</u>
Total expenses and losses	<u>1,560,326</u>
Change in net assets	(5,880)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>69,250</u>
<b>NET ASSETS - END OF YEAR</b>	<u><b>\$ 63,370</b></u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**STATEMENT OF CASH FLOWS  
For the Year Ended September 30, 2006**

**Statement C**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase (decrease) in net assets	\$ (5,880)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	14,638
(Increase) decrease in:	
Cost reimbursement receivable	18,845
Prepaid expenses	2,842
(Decrease) increase in:	
Accounts payable	35,908
Accrued salaries	22,351
Accrued payroll taxes	(1,958)
Compensated absences	810
Deferred revenue	<u>(33,025)</u>

Net cash provided (used) by operating activities	<u>54,531</u>
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**CASH FLOW FROM INVESTING ACTIVITIES**

Purchases of equipment	<u>(2,520)</u>
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Net cash provided (used ) by investing activities	<u>(2,520)</u>
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<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>52,011</b>
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<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>100,804</u></b>
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<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 152,815</u></b>
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THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**North Louisiana Area Health  
Education Center Foundation**

**Notes to Basic Financial Statements**

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**North Louisiana Area Health  
Education Center Foundation**

**Notes to the Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Corporate Purpose** The North Louisiana Area Health Education Center Foundation (the North LA. AHEC) was organized without capital stock under Louisiana law on March 7, 1989, as a non-profit corporation to bring healthcare education and resources to rural and underserved communities in North Louisiana. Membership in the North LA. AHEC is evidenced by certificates of membership and is limited to individuals who are members of the Board of Directors, or other persons who have the approval of the Board of Directors of this North LA. AHEC. The North LA. AHEC's main source of support is federal and state grants passed through various state agencies.

**Income Taxes** The North LA. AHEC is qualified as an organization exempt from Federal income taxes pursuant to Paragraph 501(c)(3) of the Internal Revenue Code. No provision for income taxes is necessary.

**Cash and Cash Equivalents** For purposes of the statement of cash flows, the North LA. AHEC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Capital Assets and Donated Use of Facilities** Pursuant to their contractual agreement, Louisiana State University Medical Center (LSUMC) budgets for expenditures for capital assets to be acquired for the North LA. AHEC. The contractual agreements for years 1989, 1990, 1991 and 1992, with LSUMC stated that the ownership of assets purchased with grant funds would remain with LSUMC. The agreements for years 1993 and 1994 do not specify this reversionary ownership. However, according to federal regulations, the title to assets purchased with federal funds generally reverts to the grantor at the end of the grant period. Accordingly, these costs were recorded as revenue and expenditures in the activity statement of the North LA. AHEC and are not capitalized for prior years. The assets purchased beginning October 1, 1994 are budgeted for in a cooperative endeavor agreement between LSUMC and the North LA. AHEC as described in Note 1. This agreement does not contain a provision for reversionary ownership and, accordingly, as of the beginning of the fiscal year ending September 30, 1995 the North LA. AHEC capitalizes assets purchased and records these purchases at cost. Depreciation is calculated using straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years. Depreciation expense for the year was \$14,638.

The building is capitalized and depreciated over its estimated useful life. E. A. Conway Memorial Hospital, an affiliated organization with Louisiana State University Medical Center, provides the use of land for the portable building. The use of land is not recorded in the financial statements. The office was relocated in September, 2006 to Bossier City to a rent-free building provided by an area hospital.

**Revenues and Expenses** The North LA. AHEC is funded by contractual agreements with various state and federal agencies. These agreements represent exchange transactions for goods and services under the guidance provided by Statement of Financial Accounting Standards No 116 "Accounting for Contributions Received and Contributions Made". Exchange transactions do not meet the definition of contributions, accordingly, SFAS No. 116 does not apply. Support for the North LA. AHEC is provided by the Louisiana Legislature through funding to Louisiana State University Medical Center (LSUMC) for continuing the operations of the Area Health Education Program. In accordance with Article 7, Section 14(c) of the Louisiana Constitution a Cooperative Endeavor was entered into by and between the Board of Supervisors of Louisiana State University Agricultural and Mechanical College, acting on

**North Louisiana Area Health  
Education Center Foundation**

**Notes to the Basic Financial Statements**

behalf of the Louisiana State University Medical Center, Shreveport and the North LA. AHEC. This agreement is a state funded replacement of a cooperative agreement originally between the United States Public Health Service (entered into in 1988 and terminated on September 29, 1994) and Louisiana State University Medical Center for the establishment of a state wide area health education center program.

Expenses are to be made in accordance with a budget which has been adopted and made a part of the contract agreement with LSUMC. The North LA. AHEC is to be reimbursed by LSUMC for costs incurred in carrying out the provisions of this agreement. An advance is paid to the North LA. AHEC by the tenth working day of each month. Revenues are recorded when earned and expenses when incurred. Additional programs added to enhance the North LA. AHEC's ability to serve the community is supported by other federal and state grants. These grants operate on a cost reimbursement basis.

**Contributions** Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The North LA. AHEC has not received any restricted contributions.

The North LA. AHEC primarily receives cash from various government contracts on an exchange transaction for specified services. These revenues are not considered contributions and are recorded as an increase in unrestricted net assets.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The North LA. AHEC has not received any promises to give.

**Functional Allocation of Expenses** The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between fund raising, management and general, supporting services or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the North LA. AHEC.

**NOTE 2 - DEPOSITS AND INVESTMENTS** At September 30, 2006, the North LA. AHEC had cash and cash equivalents (book balances) totaling \$68,303 in demand deposits. Deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

**North Louisiana Area Health  
Education Center Foundation**

**Notes to the Basic Financial Statements**

At year end, the North LA. AHEC's carrying amount of deposits was \$68,303 and the bank balance was \$90,363. Of the bank balance, \$90,363 was covered by federal deposit insurance.

**Interest Rate Risk:** The North LA. AHEC's policy does not address interest rate risk.

**Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the North LA. AHEC's deposits may not be returned to it. As of September 30, 2006, the North LA. AHEC had no custodial risk because the bank balances were fully insured by FDIC.

**Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counter party, the North LA. AHEC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The North LA. AHEC does have \$52,307 in CD's or equivalents insured through FDIC. The \$32,205 in corporate bonds is not collateralized with securities. The CD's and bonds are fixed income investments.

**Credit Rate Risk:** The CD equivalents do not have a credit rating. The corporate bonds have an S&P rating of AA (\$17,234) and B (\$14,971).

**NOTE 3 - ACCOUNTS RECEIVABLE** Accounts receivable of \$54,194 at September 30, 2006, consists of amounts due from various grants for cost reimbursement. The North LA. AHEC expects to collect these balances in full; therefore no allowance for doubtful accounts has been established.

**NOTE 4 - CAPITAL ASSETS** Capital asset balances and activity for the year ended September 30, 2006, are as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Exhaustible capital assets				
Buildings	\$ 65,223	\$ 0	\$ 0	\$ 65,223
Furniture and equipment	132,436	7,320	4,800	134,956
Transportation equipment	<u>18,245</u>	<u>0</u>	<u>0</u>	<u>18,245</u>
Total	<u>215,904</u>	<u>7,320</u>	<u>4,800</u>	<u>218,424</u>
Less accumulated depreciation				
Buildings	29,181	3,485	0	32,666
Furniture and equipment	112,823	8,547	0	121,370
Transportation and equipment	<u>6,516</u>	<u>2,606</u>	<u>0</u>	<u>9,122</u>
Total	<u>148,520</u>	<u>14,638</u>	<u>0</u>	<u>163,158</u>
Governmental activities				
Capital assets, net	<u>\$ 67,384</u>	<u>(\$7,318)</u>	<u>\$4,800</u>	<u>\$ 55,266</u>

**NOTE 5 - ACCOUNTS PAYABLE** Accounts payable at September 30, 2006, of \$77,790 consisted of payments to vendors.

**North Louisiana Area Health  
Education Center Foundation**

**Notes to the Basic Financial Statements**

**NOTE 6 - COMPENSATED ABSENCES:** All employees earn vacation time based on their years of service. As of September 30, 2006 accrued vacations was as follows:

<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
\$27,471	\$30,683	\$29,873	\$28,281

**NOTE 7 - DEFERRED COMPENSATION PLAN** The North LA. AHEC sponsors all of its eligible full-time employees in a noncontributory tax-deferred compensation plan under the rules in IRC Section 403(b). The amount of contributions by the North LA. AHEC to the Plan will be determined annually based on budget allocations and applicable law limitations. Contributions by the North LA. AHEC totaled \$150,166 for 2006.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

**Operating Lease Commitments**

The North LA. AHEC had a lease agreement for office space in Shreveport, Louisiana expiring July, 2006. The office space is used by the administration and accounting departments.

Total rent expense related to these and other short-term lease agreements was \$25,789 for the year ended September 30, 2006. The North LA AHEC moved to a rent free building in September, 2006.

**NOTE 9 - DEFERRED REVENUE** The beginning balance of deferred revenue carried over from the prior year was \$33,025. Expenditures exceeded revenues for the current year. At September 30, 2006 there was no deferred revenue to be recorded on the financial statements.

**NOTE 10 - LITIGATION AND CLAIMS** The North LA. AHEC participates in federal awards programs. The programs are subject to compliance audits by the grantor agency. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grant. Management believes that the amount of disallowance, if any, which may arise from future audits will not be material.

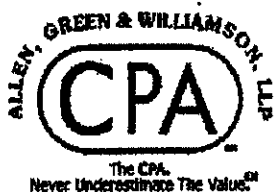
**NOTE 11 - ECONOMIC DEPENDENCY** Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenue. The Department of Health and Human Services provided \$761,912 or 49% of the North LA. AHEC's total revenues. The State of Louisiana (as passed through the LSU Medical Center) provided \$446,367 or 29% of total revenues.

**North Louisiana Area Health  
Education Center Foundation**

**Schedule of Expenses  
For the Year Ended September 30, 2006**

**Schedule 1**

	Program Services <u>Expenses</u>	Supporting Service <u>Expenses</u>	<u>Total</u>
Salaries and related expenses			
Salaries	\$ 395,003	\$285,181	\$ 680,184
Payroll taxes	39,683	25,899	65,582
Employee benefits	82,564	67,602	150,166
Miscellaneous personnel expense	<u>0</u>	<u>7,341</u>	<u>7,341</u>
Total salaries and related expenses	<u>517,250</u>	<u>386,023</u>	<u>903,273</u>
Other expenses			
AHEC of A Summer	53,591	0	53,591
Children's Trust	5,759	0	5,759
Community Development	1,045	0	1,045
Continuing Education	7,447	0	7,447
Community Health Education	12,815	0	12,815
Youth Programs (K-12)	2,545	0	2,545
Healthy Start	212,261	0	212,261
Learning Resource Center	6,653	0	6,653
March of Dimes	26	0	26
MASH	21,463	0	21,463
Miscellaneous Community Projects	15,216	0	15,216
OAD	8,050	0	8,050
Primary Care Rural Perception Program	30,432	0	30,432
Project Hope	7,009	0	7,009
Shots for tots	8,395	0	8,395
Health Care Recruitment	15,821	0	15,821
Health Care Recruitment (HCR)	79,544	0	79,544
WIC	43,518	0	43,518
Youth - HOSA	19,747	0	19,747
Gladney Scholarship	172	0	172
Accounting & legal fees	0	9,387	9,387
Board of directors	0	9,323	9,323
Building expenses	0	7,861	7,861
Equipment and storage rental	0	2,802	2,802
Marketing and memberships	0	4,485	4,485
Miscellaneous expenses	0	9,130	9,130
Office expenses	0	353	353
Postage	0	1,800	1,800
Equipment and Maintenance	0	6,098	6,098
Supplies	0	6,900	6,900
Telephone	0	6,592	6,592
Travel	0	18,967	18,967
Insurance	0	7,208	7,208
Depreciation	<u>0</u>	<u>14,638</u>	<u>14,638</u>
Total other expenses	<u>551,509</u>	<u>105,544</u>	<u>657,053</u>
Total	<u>\$1,068,759</u>	<u>\$491,567</u>	<u>\$1,560,326</u>



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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

The Board of Directors  
North Louisiana Area Health  
Education Center Foundation  
Monroe, Louisiana

We have audited the financial statements of North Louisiana Area Health Education Center Foundation, (a non-profit organization) as of and for the year ended September 30, 2006, and have issued our report thereon dated March 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the North LA. AHEC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the North LA. AHEC's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 06-F1 and 06-F2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are not material weaknesses.

### **Compliance & Other Matters**

As part of obtaining reasonable assurance about whether the North LA. AHEC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

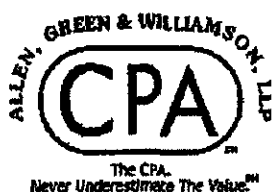
This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Allen, Green + Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

March 15, 2007



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## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

### **Board Members**

North Louisiana Area Health  
Education Center Foundation  
Monroe, Louisiana

### **Compliance**

We have audited the compliance of North Louisiana Area Health Education Center Foundation with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2006. The North LA. AHEC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the North LA. AHEC's management. Our responsibility is to express an opinion on the North LA. AHEC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the North LA. AHEC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the North LA. AHEC's compliance with those requirements.

In our opinion, the North LA. AHEC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006. However the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in accompanying Schedule of Findings and Questioned Costs as item number 06-F3.

### **Internal Control Over Compliance**

The management of the North LA. AHEC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the North LA. AHEC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the North LA. AHEC's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-F3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of North LA. AHEC, as of and for the year ended September 30, 2006, and have issued our report thereon dated March 15, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
March 15, 2007

**North Louisiana Area Health  
Education Center Foundation**

**Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2006**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	Pass-Through Grantor No.	<u>Expenditures</u>
<b>CASH FEDERAL AWARDS</b>			
<b>Department of Health and Human Services</b>			
<b>Direct Programs:</b>			
Healthy Start Division	93.926E	H49MC00084-030	\$ 550,025
<b>Passed Through State of Louisiana Department of Health and Hospitals, Office of Public Health</b>			
Maternal and Child Health Program	93.994	031381	96,878
Injury Prevention Coordinator	93.994	031173;019958	32,421
<b>Passed Through Louisiana State University Health Service Center</b>			
Model AHEC	93.107	502606	<u>82,588</u>
Total Federal Awards			<u>\$761,912</u>

**North Louisiana Area Health  
Education Center Foundation**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2006**

**NOTE 1 - GENERAL** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the North Louisiana Area Health Education Center Foundation. The North LA. AHEC's reporting entity is defined in Note 1 to the North LA. AHEC's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

**NOTE 2 - BASIC OF ACCOUNTING** The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

**NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS** Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

**NOTE 4 - MATCHING REVENUES** For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

**North Louisiana Area Health  
Education Center Foundation**

**Schedule of Findings and Questioned Costs  
As of and for the Year Ended September 30, 2006**

**PART I - Summary of the Auditors' Results**

**Financial Statement Audit**

- i. The type of audit report issued was unqualified.
- ii. There were two reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.

The reportable conditions were not considered to be material weaknesses.

- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

**Audit of Federal Awards**

- iv. There was one reportable condition required to be disclosed by OMB Circular A-133. The reportable condition was not considered to be a material weakness.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed one audit finding which the auditor is required to report under OMB Circular A-133, Section .510(a).
- vii. The major federal program is:  
  
CFDA # 93.926E Healthy Start
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section .520(b) was \$300,000.
- ix. The auditee qualifies as a low-risk auditee under OMB Circular A-133, Section .530.

**North Louisiana Area Health  
Education Center Foundation**

**Schedule of Findings and Questioned Costs  
As of and for the Year Ended September 30, 2006**

**Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Reference # and title:** 06-F1      Bank Reconciliations Are Not Being Prepared Timely

**Entity-wide or program/department specific:** This finding is entity-wide.

**Criteria or specific requirement:** Good internal controls require that bank reconciliations be performed timely. This ensures that unexplained differences are discovered quickly and can be researched. Also, there is usually only thirty days from the bank statement date to report and resolve any bank errors.

**Condition found:** Review of the bank reconciliations and discussions with administrative staff revealed that bank reconciliations were not prepared timely. The six reconciliations tested yielded an average of thirty-two days between the bank statement date and the reconciliation date.

**Possible asserted effect (cause and effect):**

**Cause:** Unknown

**Effect:** Internal controls over cash were weakened.

**Recommendations to prevent future occurrences:** The preparation of the bank reconciliations should be monitored by a supervisor to ensure that the reconciliations are prepared in a timely manner. An additional person should be trained to perform this task in case there are circumstances in which the assigned person cannot perform this task.

**Reference # and title:** 06-F2      Vendor Disbursements

**Entity-wide or program/department specific:** This finding is entity-wide.

**Criteria or specific requirement:** Good internal controls require that invoices be paid in a timely fashion to avoid additional costs and that all invoices be approved by a supervisor with proper authority. Timely payments also assist in scheduling of cash needs and help in preventing over-spending in budgeted areas.

**Condition found:** A test of forty vendor disbursements revealed two transactions which were not properly authorized. Four invoices were not paid timely.

**Possible asserted effect (cause and effect):**

**Cause:** The former administrative assistant was not requesting reimbursement for cost reimbursement programs on a timely basis which created cash flow problems.

**Effect:** Internal controls are weakend.

**North Louisiana Area Health  
Education Center Foundation**

**Schedule of Findings and Questioned Costs  
As of and for the Year Ended September 30, 2006**

**Recommendations to prevent future occurrences:** A system for accounting for all unpaid invoices, dates due, etc. should be set up to assist staff responsible for payments in scheduling check run dates and, if needed, perform budget revisions.

**North Louisiana Area Health  
Education Center Foundation**

**Schedule of Findings and Questioned Costs  
As of and for the Year Ended September 30, 2006**

**PART III - Findings and questions for federal awards which are required to be reported under OMB Circular A-133 Section .510(a)**

**Reference # and title:**            **06-F3**            **Allocation of Time Spent Not Certified**

**Entity -wide or program/department specific:** This finding is specific to the Healthy start program.

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME</b>	<b><u>CFDA Number</u></b>	<b><u>Federal Award Year</u></b>
Department of Health and Human Services Healthy Start	93.926E	2006

**Criteria or specific requirement:** OMB Circular A-122 requires that direct costs for payroll and associated expenses be documented so that the employee's efforts are charged to the correct program. These costs are to be certified, at a minimum, on a monthly basis.

**Condition found:** Conversations with personnel revealed that there was no documentation in the form of certifications for those employees paid with Healthy Start federal funds.

**Possible asserted effect (cause and effect):**

**Cause:** The staff was not aware that these certifications were required.

**Effect:** The North LA. AHEC may not be in compliance with federal guidelines described above.

**Recommendations to prevent future occurrences:** The Foundation should document the time employees spend on Healthy Start activities.

North Louisiana Area Health  
Education Center Foundation

Summary of Prior Audit Findings  
September 30, 2006

**Reference # and title:**           **05-F1**           **Bank Reconciliations Are Not Being Prepared Timely**

**Condition found:** Review of the bank reconciliations and discussions with administrative staff revealed that bank reconciliations are not prepared timely.

**Corrective action planned:** See current year finding 06-F1.

**Reference # and title:**           **05-F2**           **Semi Annual Certifications Not Completed**

**Condition found:** The test of payroll expenses revealed that there was no documentation in the form of semi-annual certifications for those employee paid with Healthy Start federal funds.

**Corrective action planned:** See current year finding 06-F3.



**North Louisiana Area Health  
Education Center Foundation**

**Corrective Action Plan for Current-Year Findings and Questioned Costs  
September 30, 2006**

**Reference # and title:** **06-F1**      **Bank Reconciliations are Not Being Prepared Timely**

**Entity-wide or program/department specific:** This finding is entity-wide.

**Condition found:** Review of the bank reconciliations and discussions with administrative staff revealed that bank reconciliations were not prepared timely. The six reconciliations tested yielded an average of thirty-two days between the bank statement date and the reconciliation date.

**Corrective action planned:** Internal controls require that all original bank statements are sent directly from the financial institution to NLAHEC's certified public accounting firm, Marcus Robinson and Hassell CPAs. The CPA reconciles the statement before it is provided to the AHEC staff for reconciliation. This has resulted in delays previously. However, at this time and due to updated online banking, the NLAHEC fiscal coordinator has access to the banking information readily available without waiting for the documents and cancelled checks from the CPA firm. At this time the fiscal policy regarding bank statement reconciliation requires that all statements must be reconciled within 10 days of availability on line (usually the 10th day of the month) and when the original is received from the CPA the staff's bank reconciliation is cross-checked against the reconciliation completed by the CPA. The Executive Director will review both documents by the 30<sup>th</sup> of each month and initial to assure compliance.

**Person responsible for corrective action:**

Ms. Susan Moreland, Executive Director  
North Louisiana Area Health  
Education Center Foundation  
1513 Doctors Drive, Suite 2  
Bossier City, LA 71111

Telephone: (318) 746-4644  
Fax: (318) 746-4677

**Anticipated completion date:** Effective immediately and ongoing.

**Reference # and title:** **06-F2**      **Vendor Disbursements**

**Condition found:** A test of forty vendor disbursements revealed two transactions which were not properly authorized. Four invoices were not paid timely.

**Corrective action planned:** There was a challenge with the previous fiscal coordinator adhering to NLAHEC fiscal policies and completing all tasks in an efficient and timely manner. She is no longer on staff. A new coordinator has been hired and has worked in collaboration with the Executive Director to strengthen internal controls and develop systems for regular and routine accounting functions. At this time, all payables and receivables are recorded into a computer spreadsheet and all records and invoices are maintained as computer records. Check runs are completed twice weekly.

At this time, the fiscal coordinator is working with NLAHEC's certified public accounting firm to set-up, convert and record all fiscal records, vendor information, receivables and payables into the agency's Peachtree accounting software to provide for reminders, better systems and record-keeping. It is anticipated that this will be fully operationally within 45 days of this date.

**North Louisiana Area Health  
Education Center Foundation**

**Corrective Action Plan for Current-Year Findings and Questioned Costs  
September 30, 2006**

Checks are cut twice weekly. All paid expenses are approved in advance and initialed by the Executive Director prior to payment. The Executive Director's approval is recorded on at least two documents: a spreadsheets of check transactions (bi-weekly) prior to the checks being cut and on the invoice for payment /or the original staff developed check request form prior to the checks being cut. No checks or payments are made without advance approval of the Executive Director.

**Person responsible for corrective action:**

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**Anticipated completion date:** Forty-five days to have all vendor accounts, receivable and payable files set-up and functional in the Peachtree software. Effective December 15, 2006, all checks and payments require Executive Director's approval twice (check request/or invoice and on bi-weekly check run spreadsheet.

**Reference # and title:**

**06-F3**

**Allocation of Time Spent Not Certified**

**Condition found:** Conversations with personnel revealed that there was no documentation in the form of certifications for those employees paid with Healthy Start federal funds.

**Corrective action planned:** The form was provided by the Auditor and has been adapted for NLAHEC use. Staff will complete monthly effective April, 2007 and will return the completed form to the NLAHEC fiscal coordinator by the first day of each following month. Instructions on how to utilize and complete the document will be provided at the April 2007 staff meetings as an in-service presentation.

**Person responsible for corrective action:**

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Bossier City, LA 71111

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Fax: (318) 746-4677

**Anticipated completion date:** Effective April, 2007.

North Louisiana Area Health  
Education Center Foundation

Status of Prior Management Letter Items  
September 30, 2006

**05-M1**     **Chart of Accounts**

**Comment:** The purpose of fund accounting is to readily identify all revenues and expenses associated with a particular program, project, grant, etc. The current chart of accounts does not completely reflect all expenses for each grant. An example is the payroll tax expense. The North LA. AHEC maintains an informal set of books internally, while the official set is maintained by an independent certified public accounting firm. During the audit sometimes we referred to the informal set of books while other times we referred to the official books. Draws requested on federal and state grants and the final year-end settlements should agree to the official set of books. The reports generated by the fee accountant do not mirror the North LA. AHEC's chart of accounts and results in difficulties in using the data provided.

**Recommendation:** The North LA. AHEC should confer with the fee accountant to explain the types of reports required as well as the detail needed. In addition, an effort should be made to ensure that all expenses and revenues are properly categorized for fund accounting purposes.

**Management's action taken:** The fee accountant used the client's chart of accounts for the current year.

**05-M2**     **Vendor Payments**

**Comment:** A test of forty vendor payments revealed that one check was issued with no signature, one payment was less than the invoice amount, one payment did not take advantage of a discount for early payment, and two payments were paid more than thirty days after the invoice date.

**Recommendation:** Due care should be taken to ensure that checks contain the appropriate signatures, that available discounts are taken and that timely payments are made. The required documentation for travel reimbursements should be obtained prior to payment.

**Managements action planned:** See finding 06-F2.